

SERVICE DATE – SEPTEMBER 22, 2016

SURFACE TRANSPORTATION BOARD

DECISION

Docket No. EP 681

CLASS I RAILROAD ACCOUNTING AND FINANCIAL REPORTING—
TRANSPORTATION OF HAZARDOUS MATERIALS

Digest:¹ The Board sought comment in January 2009 on whether and how it should update its accounting and financial reporting for Class I rail carriers to better capture the operating costs of transporting hazardous materials. The Board will discontinue this proceeding.

Decided: September 20, 2016

On January 5, 2009, in the above titled docket, the Board issued an Advance Notice of Proposed Rulemaking (ANPR) seeking public comment on whether and how it should update its accounting and financial reporting for Class I rail carriers and refine its Uniform Railroad Costing System (URCS) to better capture the operating costs of transporting hazardous materials. For the reasons stated below, we will discontinue this proceeding.

DISCUSSION AND CONCLUSIONS

The Board uses URCS to determine a carrier's variable costs in a variety of regulatory proceedings. The URCS model determines, for each Class I railroad, what portion of each category of costs shown in that carrier's Annual Report to the Board (STB Form R-1) represents its system-average variable cost for that year, expressed as a unit cost. In the ANPR, the Board noted that there may be unique operating costs associated with the transportation of hazardous materials that URCS does not attribute to those movements. As an example, the Board suggested that the transportation of hazardous materials may require carriers to pay high insurance premiums, which would be spread across all traffic of the railroad rather than being attributed specifically to the transportation of the hazardous materials. Additionally, the Board noted that the Uniform System of Accounts (USOA)—the accounting standards which Class I carriers must use to prepare the financial statements that they submit to the Board—does not include a separate classification for hazardous material operations that would allow for an accounting of the assets used and costs incurred in providing such service.

¹ The digest constitutes no part of the decision of the Board but has been prepared for the convenience of the reader. It may not be cited to or relied upon as precedent. Policy Statement on Plain Language Digests in Decisions, EP 696 (STB served Sept. 2, 2010).

The Board therefore sought comment on “whether and how it should improve its informational tools to better identify and attribute the costs of hazardous-material transportation movements,” including any revisions to the USOA and improvements to the analytic capabilities of URCS. ANPR, slip op. at 2. The Board specifically sought comment on several items, including how hazardous material operations and expenses could be reported in a subschedule of the annual R-1 reports, a specific definition of what should constitute a movement of hazardous material for this purpose, whether that definition should be limited to movements of “Toxic Inhalation Hazards” or not, and the best operating statistic (such as car-miles, revenue ton-miles, or revenue tons of hazardous materials movements) for URCS to use to allocate specified hazardous material costs to individual movements. In response to the ANPR, the Board received comments from multiple stakeholders, as discussed below.²

DOT agrees that “additional data should be reported to [USOA] in order to identify and quantify these [hazardous material] costs, and that URCS should attribute these costs to hazmat traffic alone rather than to the entirety of a carrier’s business.” (DOT Comment 2.)

AAR, BNSF, CP, and UP generally agree with the Board’s stated goals in this proceeding. (AAR Comment 2; BNSF Comment 2, CP Comment 7, 9; UP Comment 7.) However, they also argue that changes to URCS would not sufficiently address the railroad industry’s concerns with transporting hazardous material. BNSF and NSR underscore the risk of liability from a catastrophic accident (BNSF Comment 2; NSR Comment 2-3), while UP stresses the importance of fairly apportioning risk across all participants in the supply chain (UP Comment 2). The railroads argue that, even if the Board were to change URCS, they should also be allowed to present the unique costs of transporting hazardous materials in rate proceedings involving hazardous materials. (See AAR Comment 2; CP Comment 3-4, 9; NSR Comment 3; UP Comment 8-9.)

ACC, AECC, and Diversified CPC argue that the Board should not limit a review of URCS by any single issue or commodity, but should instead conduct a broader review of URCS. (ACC Comment 2; AECC Comment 2; Diversified CPC Comment 8.) ACC also argues that the proposed rulemaking would be arbitrary and ill-advised because, while some railroads have faced one-time costs from settlements of claims, the railroads have reported few ongoing, quantifiable costs relating solely to hazardous materials transportation. (ACC Comment 2.)

While the Board appreciates the input it received from the commenters in this proceeding, it has decided to close this docket. Although the Board is not foreclosing the possibility of addressing this issue in the future, even if it were to do so, it would be initiated as a

² The Board received comments from: the American Chemistry Council, the Chlorine Institute, The Fertilizer Institute, and the Edison Electric Institute (collectively, ACC); Arkansas Electric Cooperative Corporation (AECC); the Association of American Railroads (AAR); BNSF Railway Company (BNSF); Canadian Pacific Railway Company (CP); Diversified CPC International, Inc. (Diversified CPC); Norfolk Southern Railway Company (NSR); Union Pacific Railroad Company (UP); and the U.S. Department of Transportation (DOT).

new proceeding. Thus, we will not move forward with this proceeding at this time and will discontinue this docket in the interest of administrative efficiency.

It is ordered:

1. This proceeding is discontinued.
2. Notice of the Board's action will be published in the Federal Register.
3. This decision is effective on its date of service.

By the Board, Chairman Elliott, Vice Chairman Miller, and Commissioner Begeman.